

## Message Text

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ACTION EB-08

INFO OCT-01 AF-10 ARA-10 EA-10 EUR-12 NEA-10 ISO-00  
DODE-00 COME-00 INT-05 GSA-02 SSO-00 TRSE-00 /068 W  
-----113464 122209Z /66  
O 122138Z JUL 78  
FM AMEMBASSY LONDON  
TO SECSTATE WASHDC IMMEDIATE 8052

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 11024

TAGS: EMIN, ITC  
SUBJECT: US POSITION IN THE INTERNATIONAL TIN COUNCIL

1. THE US POSITION AT THE ITC TENTH SESSION IS STEADILY DETERIORATING. THE FOLLOWING IS THE CHIEF OF DELEGATION'S ASSESSMENT OF THE CURRENT SITUATION AND THE LIKELY OUTCOME OF THE MEETING.
2. THE CONSUMER POSITION. DESPITE US OBJECTION TO ANY INCREASE IN THE FLOOR PRICE. THE CONSUMER CAUCUS UNANIMOUSLY (EX THE US) SUBMITTED A PROPOSAL AT THIS MORNING'S SESSION OFFERING A M\$1,300-1,700 PRICE RANGE ON THE CONDITION THAT PRODUCERS BY RESOLUTION TAKE COGNIZANCE OF THE RESTRAINING INFLUENCE ON TIN PRODUCTION OF TAX AND OTHER IMPEDIMENTS IN SOME PRODUCER COUNTRIES.
3. PRODUCERS RESPONDED THIS AFTERNOON BY REJECTING THE CONSUMER PROPOSAL AND COUNTER-PROPOSING A M\$1,500-1,900 PRICE RANGE. THEY THEN IMMEDIATELY REQUESTED THE FORMATION OF A CONTACT GROUP TO WORK OUT A COMPROMISE BETWEEN THE TWO POSITIONS.
4. DESPITE OUR OBJECTIONS. CONSUMERS AGREED TO THE FORMATION OF A CONTACT GROUP (THUS IMPLICITLY ENDORSING THE CONCEPT OF A COMPROMISE ABOVE THE M\$1,300 FLOOR PRICE ORIGINALLY PROPOSED BY CONSUMERS). THE US

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CONTINUED TO OBJECT TO THE CONTACT GROUP'S FORMATION UNTIL THE FRG CONSUMER CHAIRMAN AGREED TO ALLOW THE US TO PARTICIPATE ON THE CONSUMER TEAM IN THE CONTACT GROUP. THIS WAS OBJECTED TO BY FRANCE. THE NETHERLANDS, HUNGARY AND, TO A LESSER EXTENT, BY THE UK. BUT IN THE END OUR POSITION PREVAILED. THE PRODUCER GROUP ALSO OBJECTED TO OUR PARTICIPATION ON THE BASIS THAT SINCE THEY HAD

MANAGED TO EXCLUDE THE RADICAL BOLIVIANS (WHO OPPOSE A COMPROMISE). CONSUMERS SHOULD EXCLUDE THE US SINCE WE HAD OPPOSED THE CONSUMER PROPOSAL. THEIR VIEW WAS REJECTED BY THE CONSUMER CHAIRMAN.

5. THE CONTACT GROUP INCLUDES THE FRG, UK, JAPAN, FRANCE, US, THAILAND, MALAYSIA, INDONESIA, AUSTRALIA AND ZAIRE. IT MET FOR TWO HOURS THIS EVENING AND WILL MEET AGAIN TOMORROW MORNING. AT TODAY'S MEETING THE PRODUCERS PROPOSED A COMPROMISE BASED ON A M\$1,350-1,750 PRICE RANGE WITH INTERVENTION POINTS AT M\$1,475 AND M\$1,625. CONSUMERS AGREED TO STUDY THE PRODUCER PROPOSAL OVERNIGHT. CONSUMERS COUNTERED BY SEEKING CLARIFICATION OF PRODUCERS' WILLINGNESS TO FORMALLY RECOGNIZE THE PROBLEM OF TAX AND OTHER IMPEDIMENTS. MALAYSIA OBJECTED STRONGLY AND THAILAND LESS ST, WITH INDONESIA BEING CONDITIONALLY PREPARED TO ACCEPT A RESOLUTION. IN THE END, CONSUMERS AGREED TO PREPARE DRAFT LANGUAGE FOR CONSIDERATION BY THE PRODUCERS TOMORROW.

6. BASED ON THE US DEL'S CONVERSATION WITH VARIOUS DELEGATIONS, THE FOLLOWING POSITIONS HAVE EMERGED:  
-- JAPAN IS PREPARED TO ACCEPT A M\$1.350 FLOOR PRICE IF THE PRODUCERS WILL AGREE TO A TAX/IMPEDIMENT RESOLUTION AND TO DEFER THE NEXT PRICE RANGE REVIEW TO JULY 1979.  
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THE JAPANESE HAVE ALREADY CONCEDED THAT THEY CANNOT OBTAIN ANNUAL REVIEW THROUGH THE REMAINDER OF THE AGREEMENT.

-- THE BRITISH AND FRENCH WILL AGREE TO A M\$1,350 FLOOR PRICE IF THEY CAN GET THE TAX/IMPEDIMENT RESOLUTION.

-- THE FRG HAS ALREADY AGREED IN PLENARY TO A M\$1,300-1,700 PRICE RANGE. THEY HAVE NO INSTRUCTIONS ON M\$1,350 BUT HAVE ADVISED US THAT THEY ARE TO CALL FOR INSTRUCTIONS IF THEY ARE ISOLATED FROM OTHER EC MEMBERS OR IF THERE IS DANGER THAT THEY WILL BE ASSOCIATED WITH THE US IN A LOSING VOTE AT ANY LEVEL. THE FRG DELEGATION BELIEVES THE ONLY HOPE TO AVOID A CONSUMER FALLBACK TO M\$1,350 IS FOR THE US TO AGREE TO M\$1,300-1,700 AND THEN PRESSURE FRG AND JAPAN TO HOLD AT THAT LEVEL.

-- ALL OTHER CONSUMERS ARE PREPARED TO ACCEPT A M\$1,350 FLOOR PRICE. SOME (BELGIUM, FRANCE, DENMARK) UNDOUBTEDLY WOULD BE PREPARED TO GO HIGHER.

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INFO OCT-01 AF-10 ARA-10 EA-10 EUR-12 NEA-10 ISO-00  
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-----113408 122207Z /66

O 122138Z JUL 78  
FM AMEMBASSY LONDON  
TO SECSTATE WASHDC IMMEDIATE 8053

C O N F I D E N T I A L SECTION 02 OF 02 LONDON 11024

-- THE PRODUCERS, EXCEPTING BOLIVIA, SEE AN ADVANTAGE TO WRAPPING UP A QUICK DEAL WHILE THE US REMAINS ISOLATED FROM OTHER CONSUMERS. THEY ARE AGREED, AGAIN EXCEPTING BOLIVIA, ON A M\$1,350-1,700 RANGE. IF THEY CAN QUICKLY AGREE AMONG THEMSELVES TO ACCEPT SOME FORM OF TAX/IMPEDIMENT RESOLUTION, IT IS PROBABLE THAT CONSUMERS WILL AGREE TO THEIR COMPROMISE PROPOSAL. HOWEVER, SHOULD THEY REFUSE THE PROPOSED TAX RESOLUTION, IT IS QUITE POSSIBLE THAT THE UK, JAPAN AND FRG WOULD RETREAT TO A NO-PRICE RANGE INCREASE POSTURE.

7. COMMENT: WASHINGTON SHOULD CAREFULLY ASSESS THE FRG REQUEST THAT WE JOIN THEM AT M\$1,300-1,700 AND ATTEMPT TO FORGE A UK-JAPAN-FRG COMBINE IN OPPOSITION TO ANY INCREASE ABOVE M\$1,300. THE CHIEF OF DELEGATION NOW BELIEVES THIS TO BE A DOUBTFUL PROPOSITION. GIVEN THE ALREADY SIGNIFICANT EROSION IN THE CONSUMER POSITION, HE DOES NOT BELIEVE WE CAN HOLD THE JAPANESE OR UK FIRM UNLESS THE PRODUCERS ABSOLUTELY REJECT THE TAX RESOLUTION AND IN THAT CASE WE COULD END UP WITH NO PRICE RANGE ADJUSTMENT AT ALL.

8. THIS MESSAGE HAS NOT BEEN CLEARED WITH BELFORD OF TREASURY OR SUGG OF COMMERCE.  
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9. PLEASE ADVISE.

BREWSTER

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## Message Attributes

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